Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

CONFIDENTIAL

PAGE 01 AMMAN 07423 181520Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-31 IGA-02 EB-07 COME-00 TRSE-00
XMB-02 OPIC-03 L-03 CIAE-00 INR-07 NSAE-00 PRS-01
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FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 9923
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA

C O N F I D E N T I A L AMMAN 7423

E.O. 11652: GDS
TAGS: BENC, EAID, EAIR, JO
SUBJECT: BECHTEL CONTRACT ON NEW AMMAN INTERNATIONAL AIRPORT TERMINATED

BEGIN UNCLASSIFIED:

1. MR RONALD L'HOMMEDIEU, JORDAN PROJECT MANAGER FOR INTERNATIONAL BECHTEL INCORPORATED, VISTED EMBASSY DECEMBER 1 TO ADVISE US FOMALLY OF HIS FIRM'S DECISION TO TERMINATE INVOLVEMENT WITH NEW AMMAN INTERNATIONAL AIRPORT PROJECT. L'HOMMEDIEU SAID THAT BECHTEL HAD REACHED AMICABLE AGREEMENT WITH GOJ REGARDING THIS DECISION. (IN SEPARATE CONVERSATION WITH HIGH RANKING GOJ OFFICIAL WHO HAS BEEN INTIMATELY INVOLVED WITH AIRPORT PROJECT, WE WERE ALSO TOLD THAT SEVERING OF BECHTEL'S RELATIONSHIP WITH NEW AIRPORT PROJECT WAS ACCOMPLISHED CORDIALLY.) L'HOMMEDIEU FURTHER STATED THAT BECHTEL IS CONTINUING TO CARRY OUT ITS CONTRACT TO EXPAND FACILITIES OF EXISTING AMMAN AIRPORT.

2. L'HOMMEDIEU ADVISED US THAT BECHTEL HAS ALREADY TRANSFERRED MANY OF ITS EXPATRIATE EMPLOYEES WHO WERE WORKING ON NEW AIRPORT AND HAS TERMINATED EMPLOYMENT OF SEVERAL LOCAL EMPLOYEES. HE
CONFIDENTIAL

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PAGE 02 AMMAN 07423 181520Z

EXPECTS WITHDRAWAL FROM NEW AIRPORT PROJECT TO BE COMPLETE BY JANUARY 1, 1977. COMPLETION DATE FOR EXPANSION OF PRESENT AIR-PORT IS PROJECTED AS JUNE, 1977.

3. GOJ HAS ALREADY REPLACED BECHTEL ON NEW AIRPORT PROJECT WITH SIR FREDERICK SNOW (UK) AS OVERALL SUPERVISOR AND TIPPETTS-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

ABBETT-MCCARTHY-STRATTON IN COOPERATION WITH LOCAL CONTRACTOR, GENECO, FOR DESIGN WORK. THE LATTER TWO WERE ALREADY IN COOPERATION REGARDING CONSTRUCTION OF THE AIRPORT. END UNCLASSIFIED.

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4. IN JULY, BECHTEL PROVIDED EMBASSY WITH A COPY OF ITS "POSITION PAPER" (STRICTLY PRIVELEGED) ON NEW AIRPORT. PAPER IS ESSENTIALLY INDICTMENT OF GENECO'S ALLEGED INCOMPETENCE AND DISHONESTY THOUGH IT ALSO INCLUDES JUSTIFICATION OF BECHTEL ACTIONS THAT HAD BEEN CRITICIZED. ACCORDING TO PAPER, GENECO "HAS DEMONSTRATED ..... THAT HE CAN SWAY HIGHER AUTHORITY TO OVERLOOK COMPETENT TECHNICAL ADVICE ON THIS PROJECT," AND THAT "EXPERIENCE ON OTHER PROJECTS ALSO SHOWS THAT THIS CONTRACTOR IS NOTORIOUS FOR SUB-MITTING UNREASLISTICALLY LOW BIDS TO OBTAIN AWARD OF A CONTRACT AND THEN PURSUE CLAIMS TO SUPPLEMENT HIS PROFIT." IN PARTICULAR, GENECO'S ORIGINAL BID INCLUDED ASPHALT PAVING OF AIRPORT RUNWAYS BUT WAS LATER CHANGED TO MORE EXPENSIVE CONCRETE PAVING. (AS EARLY AS OCTOBER, 1975, AN AMERICAN ENGINEER UNCONNECTED WITH AIRPORT PROJECT PREDICTED TO EMBASSY OFFICER THAT GENECO WOULD TRY TO MAKE THIS CHANGE. ASPHALT WAS ALLEGEDLY SPECIFIED IN GENECO BID TO LOWER APPARENT COST AND MAKE BID APPEAR MORE ATTRACTIVE.) ACCORDING TO BECHTEL PAPER, CHANGE OF SPECIFICATIONS FOR USE OF CONCRETE RESULTS IN INSUFFICIENT AVAILABLE WATER FOR TIMELY COMPLETION OF AIRPORT AND REQUIREMENT FOR MORE THAN 40 PERCENT OF JORDAN'S PRODUCTION OF CEMENT FOR PERIOD OF 18 MONTHS. BECHTEL ALSO NOTED THAT AT TIME OF ORIGINAL DESIGN OF RUNWAY JORDAN CEMENT COMPANY WAS EXPORTING CEMENT BUT DEMANDS IN CURRENT CONSTRUCTION BOOM HAVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 AMMAN 07423 181520Z

SINCE MADE JORDAN IMPORTER OF THE COMMODITY. USE OF CONCRETE FOR RUNWAY OF AIRPORT WILL DRASTICALLY INCREASE JORDAN'S NEED FOR IMPORTED CEMENT.

5. COMMENT -- TO BEST OF OUR KNOWLEDGE BECHTEL RESERVATIONS ABOUT GENECO ARE WELL FOUNDED BUT AT SAME TIME BECHTEL STAFF MEMBERS HAVE ADMITTED TO US PRIVATELY THAT FIRM COULD HAVE CARRIED OUT ITS SUPERVISORY FUNCTION MORE INTELLIGENTLY, EFFICIENTLY AND EXPERTLY. WITH GENECO RETAINING PROMINENT ROLE IN CONSTRUCTION OF NEW AIRPORT FOLLOWING DEPARTURE OF BECHTEL, WE WILL NOT BE SURPRISED IF THERE ARE FURTHER "UNANTICIPATED" COST INCREASES AND INEFFICIENCIES AS PROJECT PROGRESSES. ANOTHER PROBLEM FACING GOJ IS FINANCING AIRPORT CONSTRUCTION. BECHTEL'S ESTIMATE OF TOTAL COST OF PROJECT ROSE FROM ABOUT $140 MILLION (JANUARY, 1976) TO ALMOST $170 MILLION (JULY, 1976). THOUGH ABU DHABI AND QATAR BETWEEN THEM HAVE TRANSFERRED SOME $75 MILLION IN GRANTS TO JORDAN FOR NEW AIRPORT, GOJ OFFICIALS HAVE PRIVATELY AND VERY CONFIDENTIALLY

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

TOLD US THAT LARGE AMOUNT OF THESE FUNDS HAVE BEEN DIVERTED TO
EASE THIS YEAR'S SERIOUS BUDGET PROBLEMS. END CONFIDENTIAL
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Margaret P. Grafeld
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